

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02  
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 INT-05  
AGRE-00 DODE-00 PA-01 PRS-01 OES-06 /090 W  
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R 010805Z MAR 77

FM USLO PEKING

TO SECSTATE WASHDC 7300

INFO AMEMBASSY TOKYO

AMEMBASSY SINGAPORE

AMCONSUL HONG KONG

C O N F I D E N T I A L SECTION 1 OF 2 PEKING 0372

E.O. 11652: GDS

TAGS: PINT, CH

SUBJ: PRC ECONOMIC POLICY: MORE, BETTER, FASTER AND MORE  
ECONOMICAL -- AGAIN

1. SUMMARY. THE HUA GOVERNMENT DURING THE LAST FIVE MONTHS HAS DONE MUCH TO LAY OUT A COMPREHENSIVE PROGRAM OF PRODUCTION-ORIENTED ECONOMIC MEASURES. THE MOST VISIBLE SIGN OF THIS EFFORT HAS BEEN THE CONTINUING SERIES OF ECONOMIC SECTOR CONFERENCES. THE MEDIA HAVE PUSHED A NUMBER OF THEMES WHICH SHOULD HAVE A BENEFICIAL ECONOMIC EFFECT. THE HUA GOVERNMENT'S COMMITMENT TO ORDERLY ECONOMIC DEVELOPMENT IS ALSO REFLECTED IN ITS "GO-SLOW" WAGE POLICY AND ITS EMPHASIS ON MANAGEMENT. THOUGH NO SIGNIFICANT PURCHASES HAVE YET BEEN MADE, THE CURRENT REGIME HAS ALSO CLEARLY STATED ITS INTENTION TO UTILIZE FOREIGN TECHNOLOGY.  
END SUMMARY

2. VIEWED FROM PEKING, THE HUA REGIME'S ECONOMIC PROGRAM SEEMS TO BE OFF TO AN ORDERLY START. FOREIGN  
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OBSERVERS HAVE DEVOTED CONSIDERABLE ATTENTION RECENTLY TO PROBING THE PUBLIC FACADE OF UNITY AT THE CENTER IN AN EFFORT TO UNCOVER DIDDENSION PRESUMED TO LIE BEHIND. THE CENTRAL GOVERNMENT'S PROGRESS IN DEVELOPING A COMPREHENSIVE PROGRAM OF PRODUCTION-OREINTED ECONOMIC MEASURES DURING THE SAME PERIOD OF TIME HAS PASSED RELATIVELY UNHERALDED. WE CONSIDER THIS PROGRESS

SUBSTANTIAL.

3. A HIGHLY VISIBLE SIGN OF THE HUA ECONOMIC PROGRAM HAS BEEN THE SERIES OF CONFERENCES HELD IN THE LAST FEW MONTHS ON AGRICULTURE, COAL MINING, DEFENSE INDUSTRY AND TRANSPORTATION, AS WELL AS THE CONFERENCE ON LEARNING FROM TACHING IN INDUSTRY TO BE HELD IN MAY. TOGETHER WITH THE ESSENTIAL PREPARATORY AND FOLLOW-UP MEETINGS AT LOWER LEVELS, THESE NATIONWIDE CONFERENCES HAVE TARGETED AREAS CRUCIAL FOR ECONOMIC DEVELOPMENT IN COMING YEARS AND LAY DOWN FOR THOSE AREAS THE CENTER'S POLICIES AND GOALS, VALIDATED BY THE PERSONAL APPEARANCE OF THE ASSEMBLED LEADERSHIP.

4. MEDIA COVERAGE OF THESE CONFERENCES HAS EMPHASIZED THEIR ORIENTATION TOWARD INCREASED PRODUCTION. CONCURRENT WITH CRITICISM OF THE GANG OF FOUR, THE MEDIA HAVE PUSHED A NUMBER OF THEMES DIRECTED AT THE MOST SERIOUS BOTTLENECKS AND WEAK POINTS IN PRC ECONOMIC ORGANIZATION. ARTICLES AND EDITORIALS HAVE CALLED FOR MORE CENTRAL CONTROL OF VITAL INDUSTRIES SUCH AS STEEL, SIMPLIFICATION AND RATIONALIZATION OF PLANT MANAGEMENT, MORE STRINGENT LABOR DISCIPLINE, DEVELOPMENT OF WORKERS WHO ARE "BOTH RED AND EXPERT," AND ENCOURAGEMENT OF SIDELINE PRODUCTION IN AGRICULTURE. THE USE OF FOREIGN TECHNOLOGY HAS BEEN SANCTIONED. THERE ARE ALSO DEFINITE SIGNS IN THE MEDIA OF VIGOROUS CENTRAL LEADERSHIP IN TWO DIRECTIONS VITAL FOR LONG-TERM ECONOMIC DEVELOPMENT: TIGHTENING OF THE BIRTH CONTROL

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PROGRAM AND STRENGTHENING OF SCIENTIFIC AND TECHNICAL EDUCATION AT THE HIGHER LEVELS.

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C O N F I D E N T I A L SECTION 2 OF 2 PEKING 0372

5. PRC FOREIGN TRADE ACTIVITY OFTEN PROVIDES FIRM BUT LIMITED INDICATIONS OF CHINA'S DOMESTIC ECONOMIC POLICIES. ALTHOUGH SIGNIFICANT PURCHASES HAVE YET TO BE MADE, CHINA'S LEADERS HAVE CLEARLY STATED THEIR INTENTION TO USE FOREIGN TECHNOLOGY AS AN INTEGRAL PART OF CHINA'S MODERNIZATION PROGRAM AND TO IMPORT THIS TECHNOLOGY TO THE LIMIT OF CHINA'S FINANCIAL RESOURCES. CHINA'S ECONOMIC POLICYMAKERS CONTINUE TO TAKE A HIGHLY CONSERVATIVE VIEW OF WHERE THIS LIMIT LIES; ANY LONG-RANGE BORROWING IS STILL BEYOND THE PALE. MAXIMIZING EXPORTS AS A MEANS OF EXPANDING IMPORT CAPACITY, HOWEVER, WAS ONE OF THE FIRST ECONOMIC POLICIES PROMULGATED BY THE POST-GANG OF FOUR REGIME AND HAS RECEIVED RECURRENT MEDIA ATTENTION SINCE.

6. THE TICKLISH PROBLEM OF WORKER EXPECTATIONS HAS BEEN DEALT WITH IN A STRAIGHTFORWARD MANNER THAT SHOULD, IF SUCCESSFUL, CONTRIBUTE TO ECONOMIC GROWTH. RECENT EDITORIALS AND ARTICLES EMPHASIZING HUA'S CONCERN FOR THE PEOPLE'S LIVELIHOOD HAVE STATED THAT THE GOAL  
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OF INCREASED CONSUMPTION MUST AWAIT NATIONAL CAPITAL ACCUMULATION RESULTING FROM INCREASED PRODUCTION. THIS, IT IS EXPLAINED, CAN ONLY ACCOMPANY INCREASED LABOR PRODUCTIVITY. OUR DISCUSSIONS DURING FACTORY VISITS OVER THE LAST FEW MONTHS HAVE SHOWN MATTER-OF-FACT ACCEPTANCE BY LOW-RANKING CADRE OF THIS CONCEPT.

7. GENUINE ENTHUSIASM BY ADMINISTRATORS FOR THE RESTORATION OF "NECESSARY RULES AND REGULATIONS" HAS BEEN ANOTHER FEATURE OF OUR RECENT FACTORY VISITS, AS HAS THE GOAL OF "RATIONALIZING MANAGEMENT," WHICH IS USUALLY EXPLAINED AS AN INCREASE IN PRODUCTION EFFICIENCY BUT WHICH MAY ALSO CONTAIN SOME ELEMENTS OF LABOR DISCIPLINE. FOREIGN TRADE OFFICIALS, TOO, HAVE SPOKEN WITH ENTHUSIASM ABOUT THEIR NEW FREEDOM AND FLEXIBILITY IN MAKING THE BEST DEAL POSSIBLE

AND ABOUT THEIR ANTICIPATION OF INCREASED TRADE.

8. NONE OF THESE POLICIES ARE NEW. SOME ARE BEING  
REVIVED AFTER A PERIOD OF SUPPRESSION IN 1975-76, SOME  
DATE BACK TO PRE-CULTURAL REVOLUTION DAYS. IMPORTANT  
MAOIST SHIBBOLETHS ARE STILL EVIDENT; FOREIGN CREDITS  
AND MATERIAL INCENTIVES CONTINUE TO BE DIRTY WORDS  
IN THE PRC LEXICON. NEVERTHELESS, THE PURPOSEFUL  
AND RATIONAL ECONOMIC PROGRAM BEING OUTLINED BY THE  
HUA REGIME IS IN THE DIRECTION OF A STABLE AND GROWING  
ECONOMY AND AWAY FROM THE CONFUSION WHICH CHARACTERIZED  
ECONOMIC POLICY IN 1976.  
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